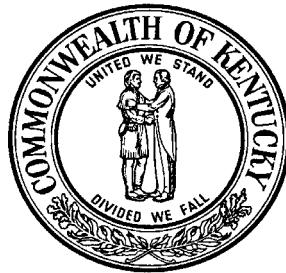


**REPORT OF THE AUDIT OF THE
CAMPBELL COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2004**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CAMPBELL COUNTY FISCAL COURT

June 30, 2004

The Auditor of Public Accounts has completed the audit of the Campbell County Fiscal Court for the fiscal year ended June 30, 2004. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. In accordance with OMB Circular A-133, we have issued an unqualified opinion on the compliance requirements that are applicable to Campbell County's major federal programs, U. S. Department of Housing and Urban Development Housing Choice Voucher Program and Section 236 Direct Loan, for the year ended June 30, 2004.

Financial Condition:

The County had total net assets of \$20,400,363 as of June 30, 2004. The Fiscal Court had unrestricted net assets of \$13,324,556 in its governmental activities as of June 30, 2004, with total net assets of \$19,222,546. In its enterprise funds, total net assets were \$1,177,817. Total debt principal as of June 30, 2004, was \$7,470,748 with \$891,102 due within the next year.

Report Comments:

- The Employees Of The Fiscal Court Should Account For Compensatory Time Earned And Used
- The County Jailer Should Maintain Minimum Records As Prescribed By The State Local Finance Officer Pursuant To KRS 68.210
- The County Jailer Should Properly Reconcile Bank Account Monthly
- The County Jailer Should Work With The Bank To Recoup Bank Service Charges And To Minimize Service Charges In The Future

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Steve Pendery, Campbell County Judge/Executive

Members of the Campbell County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Campbell County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of some entities that collectively comprise Campbell County Fiscal Court. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units and funds is based upon the reports of other auditors. Those entities were:

Certain portions of the Governmental Funds including:

- Major Special Revenue Fund - Campbell County, Kentucky Fiscal Court Housing Department Housing Choice Voucher Program.
- Major Debt Service Fund - Campbell County Public Properties Corporation

Certain portions of the Proprietary Funds including:

- Major Proprietary Fund - Lakeside Terrace Apartments HUD Project No. 083-44012-236
- Major Proprietary Fund - A.J. Jolly Park

Those financial statements reflect total assets and revenues of the government-wide financial statements and total assets and revenues or additions of the fund financial statements as follows:

<u>Government-Wide Financial Statements</u>	<u>Percent of Assets</u>	<u>Percent of Revenues</u>
Governmental Activities	5.00%	15.42%
Business-Type Activities	100.00%	100.00%
<u>Fund Financial Statements</u>		
Governmental Funds-Major Funds	5.55%	16.74%
Proprietary Funds-Major Funds	100.00%	100.00%



To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Steve Pendery, Campbell County Judge/Executive

Members of the Campbell County Fiscal Court

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky, as of June 30, 2004, and the changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The County has implemented Governmental Accounting Standards Board Statements 33, 34, 37, and 38, which have altered the format and content of the basic financial statements.

Management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The budgetary comparison information for the Housing Choice Voucher Program was not included as supplementary information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Campbell County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Steve Pendery, Campbell County Judge/Executive
Members of the Campbell County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated July 22, 2005, on our consideration of Campbell County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following report comments:

- The Employees Of The Fiscal Court Should Account For Compensatory Time Earned And Used
- The County Jailer Should Maintain Minimum Records As Prescribed By The State Local Finance Officer Pursuant To KRS 68.210
- The County Jailer Should Properly Reconcile Bank Account Monthly
- The County Jailer Should Work With The Bank To Recoup Bank Service Charges And To Minimize Service Charges In The Future

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed –
July 22, 2005

CAMPBELL COUNTY OFFICIALS

For The Year Ended June 30, 2004

Fiscal Court Members:

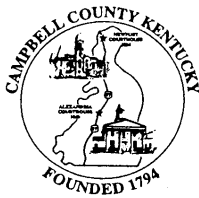
Steve Pendery	County Judge/Executive
David E. Otto	Commissioner
William J. Verst	Commissioner
Kenneth L. Rehtin	Commissioner

Other Elected Officials:

Justin Verst	County Attorney
Greg Buckler	Jailer
Jack Snodgrass	County Clerk
Thomas Calme	Circuit Court Clerk
John Dunn	Sheriff
Daniel Braun	Property Valuation Administrator
Mark Schweitzer	Coroner

Appointed Personnel:

Diane E. Bertke	County Treasurer
Linda Eads	Occupational Tax Collector
James Seibert	Finance Officer



County Judge/Executive
STEVE PENDERY

CAMPBELL COUNTY FISCAL COURT

County Commissioners
DAVID E. OTTO
WILLIAM J. VERST
KENNETH L. RECHTIN

Management's Discussion and Analysis June 30, 2004

The financial management of Campbell County, Kentucky offers readers of Campbell County's financial statements this narrative overview and analysis of the financial activities of Campbell County for the fiscal year ended June 30, 2004.

Financial Highlights

- Campbell County had net assets of \$20,400,363 as of June 30, 2004. The fiscal court had unrestricted net assets of \$13,324,556 in its governmental funds as of June 30, 2004. In its enterprise fund, cash and cash equivalents were \$162,582 with total net assets of \$1,177,817. Total debt principal as of June 30, 2004 was \$7,470,748 with \$891,102 due within one year.
- The government's total net assets increased by \$649,884 from the prior year. This increase is primarily due to an increase in tax revenues that resulted in large part from an improvement in economic conditions in the county.
- At the close of the current fiscal year, Campbell County's balance sheet for Governmental Funds reported a fund balance of \$11,688,072. Of this amount, \$10,783,457 is available for spending at the government's discretion (unreserved fund balance).
- Campbell County's total indebtedness at the close of fiscal year on June 30, 2004 was \$7,470,748, of which \$6,579,646 is long-term debt (due after 1 year) and \$891,102 is short-term debt (to be paid within 1 year). There were no debt additions and debt reductions were \$849,006. Campbell County had capital project expenditures amounting to \$2,028,041 during the year.

Overview of the Financial Statements

This management's discussion and analysis is intended to serve as an introduction to Campbell County's basic financial statements. Campbell County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. These schedules include prior and current comparisons of general revenues by major source and program expenses by function.

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Campbell County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Campbell County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Campbell County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on the accrual basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Campbell County's governmental activities include general governmental, protection to persons and property, roads, recreation, and social services. The County has several business-type activities: A.J. Jolly Park, Lakeside Terrace Apartments and the Housing Choice Voucher Program.

The government-wide financial statements include not only Campbell County itself, but also legally separate entities, which have a significant operational or financial relationship with the County. Campbell County has four such entities: A.J. Jolly Park, Lakeside Terrace Apartments, the Housing Choice Voucher Program and the Campbell County Public Properties Corporation. These are known as blended component units.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Campbell County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Campbell County can be divided into three broad categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Government-wide Financial Statements. (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Campbell County maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General, Road, Jail, Payroll Tax, Public Properties Corporation the Housing Choice Voucher Program funds, all of which are considered major funds by the County. The Local Government Economic Assistance, Developers Road Escrow, Emergency Shelter Grant, Waterline Grant Fund, Senior Citizens Tax Fund, Mental Health Tax Fund, Campbell County Health Services Incorporated Human Resource fund, and the Capital Projects funds are considered non-major funds and are represented in a combined form.

Campbell County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds provide the same type of information as the business-type activities column on the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Lakeside Terrace Apartments and A.J. Jolly funds.

Fiduciary Funds. Campbell County's fiduciary funds are agency funds which account for monies held by the County for custodial purposes only. The County's agency funds are the Jail Inmate Account, the Consolidated Payroll Tax Account, and the Performance Bond Account.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Government-wide Financial Analysis.

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

**Table 1
Campbell County's Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
Assets						
Current and other assets	\$ 9,038,019	\$ 11,230,374	\$ 282,436	\$ 179,210	\$ 9,320,455	\$ 11,409,584
Capital assets	11,234,243	12,849,602	1,773,004	1,667,218	13,007,247	14,516,820
Other assets	6,275,323	3,009,540	153,950	163,656	6,429,273	3,173,196
Total Assets	26,547,585	27,089,516	2,209,390	2,010,084	28,756,975	29,099,600
Liabilities						
Current and other liabilities	711,596	872,576	159,248	141,738	870,844	1,014,314
Long-term liabilities	7,764,841	6,994,394	615,160	690,529	8,380,001	7,684,923
Total Liabilities	8,476,437	7,866,970	774,408	832,267	9,250,845	8,699,237
Net Assets						
Invested in capital assets, net of related debt	3,510,420	5,897,990	1,177,073	996,618	4,687,493	6,894,608
Restricted			134,721	143,727	134,721	143,727
Unrestricted	14,560,728	13,324,556	123,188	37,472	14,683,916	13,362,028
Total Net Assets	\$ 18,071,148	\$ 19,222,546	\$ 1,434,982	\$ 1,177,817	\$ 19,506,130	\$ 20,400,363

Changes in Net Assets

Governmental Activities. Campbell County's net assets increased by \$678,228 in fiscal year 2004. Key elements of this are as follows:

- Current assets and cash increased by \$2,192,355. This was due to the expiration of a long-term investment and the reinvestment of the funds into a short-term investment. At that time the short-term rates presented a more advantageous return.
- Investment in capital assets, net of related debt increased by \$1,989,755. The majority of this increase related to the purchase of land for a new Fiscal Court facility. Equipment purchases also were a significant factor.
- Current and long-term liabilities decreased by \$609,467 as a result of long-term debt payments.
- Revenues were \$22,745,613 as reflected in the Statement of Activities.
- Expenditures totaled \$22,067,385 as reflected in the Statement of Activities.

Business-type Activities. Campbell County's net assets for these activities decreased by \$28,344.

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Changes in Net Assets (Continued)

**Table 2
Campbell County Condensed Statement of Activities**

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
Revenues						
Program Revenues:						
Charges for Services	\$ 1,339,829	\$ 1,455,561	\$ 1,139,448	\$ 1,068,981	\$ 2,479,277	\$ 2,524,542
Operating Grants and Contributions	6,160,532	6,807,815			6,160,532	6,807,815
Capital Grants and Contributions	7,500	316,877			7,500	316,877
General Revenues:						
Property Taxes	4,206,258	4,469,205			4,206,258	4,469,205
Occupational Taxes	6,772,244	7,193,641			6,772,244	7,193,641
Other Taxes	1,401,260	1,460,097			1,401,260	1,460,097
Excess Fees	946,048	701,172			946,048	701,172
Other Taxes	280,465	341,245	(15,792)	(52,754)	264,673	288,491
Total Revenues	\$ 21,114,136	\$ 22,745,613	\$ 1,123,656	\$ 1,016,227	\$ 22,237,792	\$ 23,761,840
Expenses						
Governmental Activities:						
General Government	10,577,902	10,767,970			10,577,902	10,767,970
Protective Services	4,304,538	4,824,351			4,304,538	4,824,351
Health and Sanitation	308,105	326,000			308,105	326,000
Social Services	3,022,141	3,333,873			3,022,141	3,333,873
Recreation and Culture	368,264	398,313			368,264	398,313
Roads	1,059,152	1,392,993			1,059,152	1,392,993
Bus Service	424,342	413,470			424,342	413,470
Debt Service	268,638	331,676			268,638	331,676
Capital Projects	224,694	278,739			224,694	278,739
Business-type Activities:						
Jail Canteen			168,794		168,794	
Lakeside Terrace Apts.			288,525	311,029	288,525	311,029
A.J. Jolly Park			717,939	733,542	717,939	733,542
Total Expenses	\$ 20,557,776	\$ 22,067,385	\$ 1,175,258	\$ 1,044,571	\$ 21,733,034	\$ 23,111,956
Changes in Net Assets	\$ 556,360	\$ 678,228	\$ (51,602)	\$ (28,344)	\$ 504,758	\$ 649,884
Net Assets-Beginning	\$ 17,514,788	\$ 18,544,318	\$ 1,486,584	\$ 1,206,161	\$ 19,004,372	\$ 19,750,479
Net Assets-Ending	\$ 18,071,148	\$ 19,222,546	\$ 1,434,982	\$ 1,177,817	\$ 19,509,130	\$ 20,400,363

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Financial Analysis of the County's Funds.

As noted earlier, Campbell County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Overview. The focus of Campbell County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 30, 2004 fiscal year, the combined ending fund balance of County governmental funds was \$11,688,072. Approximately 92% (\$10,783,457) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$904,615) is reserved to indicate that it is not available for new spending because it is committed.

The County has 6 major governmental funds. These are: 1) General Fund; 2) Road Fund; 3) Jail Fund; 4) Payroll Tax Fund; 5) Housing Choice Voucher Program Fund and 6) Public Properties Corporation. There are 9 non-major funds. They are the Developers Road Escrow Fund, Local Government Economic Assistance Fund, Emergency Shelter Grant Fund, the Capital Projects Fund, Waterline Grant Fund, Senior Citizen Tax Fund, Mental Health Tax Fund, Health Services Inc. Human Resource Fund, and the Jail Canteen Fund.

1. The General Fund is the chief operating fund of Campbell County. At the end of the June 30, 2004 fiscal year, unreserved fund balance of the General Fund was \$3,110,907, while total fund balance was \$3,117,106. During fiscal year 2004 there was a decrease of \$511,447 from the prior year-end general fund balance. The county received \$3,591,096 in Real Property tax revenues. This accounts for approximately 39% of the general fund revenue. \$2,338,206 was received from personal property, motor vehicle, and insurance taxes, which account for approximately 26% of the county's general fund revenues. Sheriff and Clerk fees accounted for \$701,172 or 8% of general fund revenues. Various other taxes, service fees and investment earnings make up the remaining 27% of revenues.
2. The Road Fund is the fund related to county road and bridge construction and maintenance. The Road Fund had \$190,360 in fund balance at June 30, 2004. The fund balance at the end of the previous year was \$256,459. The lower FY 2004 fund balance was due mainly to the timing of road expenditures. The fiscal year 2004 expenditures for road projects were \$1.5 million. State funding provided a total of \$834,692 in funding for road projects during the fiscal year. Transfers from the general fund provided nearly all of the remaining funding requirement.

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Financial Analysis of the County's Funds. (Continued)

3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a fund balance at June 30, 2004 of \$29,013, all of which was unreserved. That is a decrease in fund balance of \$35,597 from the previous fiscal year-end. The Jail Fund received \$781,268 from the state and federal governments for services, primarily for housing prisoners. Transfers from other funds were used to cover a total of \$1,814,738 in jail expenses.
4. The Payroll Tax Fund is primarily used to provide funds for the operation of the regional transit system. As of 6/30/2004 the balance in this fund was \$6,746,663. This represented a decrease in the fund balance of \$491,899 from the previous year-end. This decrease in fund balance was due mainly to transfers made from the payroll fund to the general fund in order to meet the general funding needs of the County.
5. The Housing Choice Voucher Program ended the 2004 fiscal year with a fund balance of \$113,320. The previous year balance was \$98,754. The Program derives nearly all of its revenue from The Department of Housing and Urban Development (HUD).
6. The Public Properties Corporation Fund serves as a conduit for the financing of various County projects. Thus bonds and refunding bonds have been issued through this Corporation. The fund balance at the end of 6/30/04 was \$454,354. The 6/30/03 ending fund balance was \$473,639.
7. The total fund balance for the non-major funds as of June 30, 2004 was \$1,037,256. This represented an increase over the prior year of \$ 118,171. Total expenditures for the non-major funds for the year were \$2,320,363. Transfers from other funds provided a total of \$894,636 to cover those expenses. Other revenue sources for the non-major funds include occupational license and payroll taxes designated for Senior Citizens and mental health programs in the County. The Senior Citizen program revenues for the year from this source amounted to \$342,443. Mental Health program revenues were \$685,212 for the year. The Mental Health Fund also received \$94,139 in Safe Haven funds from the Federal Government. A total of \$118,737 was transferred out of the Mental Health Fund to cover mental health expenditures made by other funds. Another fund included in this category is the Capital Projects fund. All of the revenue in this fund comes from transfers out of the General Fund. During fiscal year 2004 these transfers totaled \$873,956.

Proprietary Funds Overview. The County's proprietary fund statements provide the same type of information found in the business-type activities column of the government-wide statements, but in more detail.

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Financial Analysis of the County's Funds. (Continued)

Campbell County has two enterprise funds, the Lakeside Terrace Apartments and A.J. Jolly Park.

1. Lakeside Terrace Apartments had net assets of \$250,674 as of June 30, 2004 with a cash balance of \$92,532. Most of the revenue for this fund is derived from tenant payments. During fiscal year 2004 these tenant payments for rent amounted to \$260,305. Federal payments into this fund for tenant assistance amounted to \$63,843.
2. A.J. Jolly Park net assets at 6/30/2004 amounted to \$927,143 with a cash balance of 70,050. The majority of the Park's assets consisted of capital assets such as land and land improvements for this golf and general recreation facility. Net capital assets for Jolly amounted to \$883,653 at the fiscal year-end. Revenues for the golf course amounted to \$707,087 and were derived from user fees.

General Fund Budgetary Highlights.

The County's original budget was amended during the fiscal year increasing the operating budget by \$1,507,200. Budget amendments were made to the General, Road, LGEA, Developers/Road Escrow and Capital Projects Funds to adjust for the receipt of various unanticipated revenues and expenses. The largest of these items was an expenditure of \$870,000 for the purchase and development of real estate to be used for the construction of a new administration building. The County also received \$150,000 in revenue from the local cable TV board and unanticipated Road Aid funds in the amount of \$114,000.

Actual operating revenues were \$772,882 more than the amount originally budgeted by the Fiscal Court. This increase was primarily due to higher tax revenues along with higher than expected intergovernmental revenue.

Actual operating expenditures were \$2,723,327 less than originally budgeted by the Fiscal Court. This was primarily due to less than anticipated dept service costs.

The most significant capital asset change for the year related to the purchase of property and the related development costs for construction of a new Fiscal Court building. This expenditure amounted to \$870,000 for the year. Completion of the new facility is expected in a future fiscal year.

Capital Assets and Debt Administration.

Capital Assets. Campbell County's investment in capital assets for its governmental and business-type activities as of June 30, 2004, amounted to \$14,516,820 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles and current-year infrastructure additions. The County has elected to report infrastructure assets per GASB 34 provisions.

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Capital Assets and Debt Administration. (Continued)

Major capital asset events during the 2004 fiscal year included the acquisition of property for a new Fiscal Court Building, the purchase of six police cruisers, the purchase of an upgrade to the jail security system, the purchase of a new telephone system, completion of a new house numbering system, a new roof for the County jail, an upgrade of computer hardware and replacement of other aging County equipment.

Additional information on the County's capital assets can be found in Note 4 of this report.

Table 3
Campbell County's Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
Infrastructure Assets	\$ 639,902	\$ 790,148			\$ 639,902	\$ 790,148
Land	1,971,791	3,175,528	\$ 446,451	\$ 480,390	2,418,242	3,655,918
Bldgs.& Improvements	7,198,446	7,232,868	1,154,408	1,020,049	8,352,854	8,252,917
Other Equipment	622,283	868,906	172,145	166,779	794,428	1,035,685
Vehicles & Equipment	801,821	782,152			801,821	782,152
	<u>\$ 11,234,243</u>	<u>\$ 12,849,602</u>	<u>\$ 1,773,004</u>	<u>\$ 1,667,218</u>	<u>\$13,007,247</u>	<u>\$ 14,516,820</u>

Long-Term Debt. At the end of the 2004 fiscal year, Campbell County had total long-term debt outstanding of \$7,470,748. The amount of this debt due within the next year is \$891,102 and \$6,579,646 is due in subsequent years. This debt is for the district and circuit court facilities, jail and park facilities and equipment and emergency dispatch center equipment. This debt is described in note 5 of the notes to the financial statements.

Other matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2004 fiscal year budget:

- The 2005 fiscal year Adopted Budget continues most services at current levels with the exception for which federal or state funding is decreasing or for projects which have been completed or are nearing completion.
- The increasing cost of housing prisoners in the Campbell County Detention Center continues to be a drain on the overall budget. The County is considering a number of measures to address this problem, which is common to county governments throughout the state.

Requests For Information

This financial report is designed to provide a general overview of Campbell County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to James D. Seibert, Fiscal Director, Campbell County Fiscal Court, 24 West 4th St., Newport, KY 41071.

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**CAMPBELL COUNTY
STATEMENT OF NET ASSETS**

June 30, 2004

**CAMPBELL COUNTY
STATEMENT OF NET ASSETS**

June 30, 2004

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 8,267,972	\$ 162,582	\$ 8,430,554
Accounts Receivable	2,951,592	1,447	2,953,039
Prepaid Expenses	10,810	15,181	25,991
Noncurrent Assets			
Long-Term Investments	1,383,789		1,383,789
Notes Receivable			
Due Within One Year	314,576		314,576
Due After One Year	1,311,175		1,311,175
Tenant Deposits Held in Trust		19,929	19,929
Escrow Deposits		10,867	10,867
Residual Receipts		9,995	9,995
Replacement Reserve		122,865	122,865
Capital Assets - Net of Accumulated Depreciation			
Land	3,175,528	480,390	3,655,918
Land Improvements	284,503	537,859	822,362
Buildings	6,948,365	482,190	7,430,555
Portable Building Equipment		40,081	40,081
Equipment for Tenant Use		23,113	23,113
Furnishings		6,909	6,909
Office Furniture and Equipment		2,353	2,353
Maintenance Equipment		160	160
Fixtures		1,454	1,454
Machinery and Equipment		92,709	92,709
Other Equipment	832,567		832,567
Furniture and Fixtures	36,339		36,339
Vehicles and Equipment	782,152		782,152
Infrastructure Assets - Net of Depreciation	790,148		790,148
Total Assets	<u>27,089,516</u>	<u>2,010,084</u>	<u>29,099,600</u>

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF NET ASSETS
June 30, 2004
(Continued)

	Governmental Activities	Business-type Activities	Totals
LIABILITIES			
Accounts Payable	453,160	26,383	479,543
Accrued Salaries and Payroll Taxes	408,152		408,152
Accrued Vacations Payable	7,841		7,841
Accounts Payable - Project Improvement		71,930	71,930
Sales Tax Payable		1,977	1,977
Accrued Wages		3,887	3,887
Accrued Payroll Taxes Payable		616	616
Accrued Interest		16,971	16,971
Accrued Payroll and Taxes Thereon		19,974	19,974
Due to Jail Inmate Account	3,423		3,423
Financing Obligations:			
Due Within One Year	327,520		327,520
Bonds Payable:			
Due Within One Year	480,000	83,582	563,582
Sick Leave Payable	42,782		42,782
Tenant Security Deposits		19,929	19,929
Flexible Subsidy Loan Payable		151,464	151,464
Financing Obligations:			
Due In More Than One Year	1,049,092		1,049,092
Bonds Payable:			
Due In More Than One Year	5,095,000	435,554	5,530,554
Total Liabilities	<u>7,866,970</u>	<u>832,267</u>	<u>8,699,237</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	11,472,990	1,515,754	12,988,744
Restricted		143,727	143,727
Unrestricted	12,844,556		12,844,556
Total Net Assets	<u>\$ 24,317,546</u>	<u>\$ 1,659,481</u>	<u>\$ 25,977,027</u>

The accompanying notes are an integral part of the financial statements.

**CAMPBELL COUNTY
STATEMENT OF ACTIVITIES**

For The Year Ended June 30, 2004

**CAMPBELL COUNTY
STATEMENT OF ACTIVITIES**

For The Year Ended June 30, 2004

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
General Government	\$ 10,767,970	\$ 291,586	\$ 1,505,723	\$
Protection to Persons and Property	5,024,351	654,476	655,206	47,695
General Health and Sanitation	326,000	55,367	50,088	
Social Services	3,333,873	4,929	3,748,072	56,942
Recreation and Culture	398,313	56,790	828,456	
Roads	1,392,993	60,066		
Bus Service	413,470	332,347		
Interest on Long-Term Debt	331,676		20,270	
Capital Projects	278,739			212,240
Total Governmental Activities	22,267,385	1,455,561	6,807,815	316,877
Business-type Activities:				
Lakeside Terrace Apartments	311,029	361,894		
A.J. Jolly Park	733,542	707,087		
Total Business-type Activities	1,044,571	1,068,981		
Total	\$ 23,311,956	\$ 2,524,542	\$ 6,807,815	\$ 316,877

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes and Licenses

Occupational Taxes

Other Taxes

Excess Fees

Transfers in from Proprietary Funds

Unrestricted Investment Earnings

Other Revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2004
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Totals
\$ (8,970,661)	\$	\$ (8,970,661)
(3,666,974)		(3,666,974)
(220,545)		(220,545)
476,070		476,070
486,933		486,933
(1,332,927)		(1,332,927)
(81,123)		(81,123)
(311,406)		(311,406)
(66,499)		(66,499)
(13,687,132)		(13,687,132)
	50,865	50,865
	(26,455)	(26,455)
	24,410	24,410
(13,687,132)	24,410	(13,662,722)
3,591,096		3,591,096
321,970		321,970
556,139		556,139
7,193,641		7,193,641
1,460,097		1,460,097
701,172		701,172
56,752	(56,752)	
110,687	3,998	114,685
373,806		373,806
14,365,360	(52,754)	14,312,606
678,228	(28,344)	649,884
18,544,318	1,206,161	19,750,479
\$ 19,222,546	\$ 1,177,817	\$ 20,400,363

The accompanying notes are an integral part of the financial statements.

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CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2004

CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2004

	General Fund	Road Fund	Jail Fund	(TANK) Payroll Tax Fund
ASSETS				
Cash and Cash Equivalents	\$ 2,002,859	\$ 42,520	\$ 110,118	\$ 4,074,251
Current Investments	321,338			328,423
Intergovernmental Receivable				
Accounts Rec- Taxes	322,151			1,652,083
Accounts Rec-Excess Fees	123,060			
Accounts Rec - Licenses & Permits	1,000			
Accounts Rec-Intergov Rev	104,518	221,134	92,298	
Accounts Rec-Charges for Services			11,011	
Accounts Rec-Miscellaneous	40,372		6,052	
Interest Receivable	138			
Accounts Receivable-HUD				
Long Term Investments	691,883			691,906
Prepaid Expenses				
Due From Other Funds				
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 3,607,319</u>	<u>\$ 263,654</u>	<u>\$ 219,479</u>	<u>\$ 6,746,663</u>
LIABILITIES				
Accounts Payable	\$ 109,779	\$ 27,484	\$ 87,655	\$
Accrued salaries and payroll taxes	255,674	45,810	99,388	
Intergovernmental Payable				
Interfund Payable			3,423	
Deferred Revenue-Del Taxes	53,515			
Accrued Vacations Payable				
Due to Other Funds	71,245			
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>490,213</u>	<u>73,294</u>	<u>190,466</u>	<u></u>
FUND BALANCES				
Reserved for:				
Encumbrances	\$ 6,199	\$	\$	\$
TANK Contribution				898,416
Unreserved:				
General Fund	3,110,907			
Special Revenue Funds		190,360	29,013	5,848,247
Debt Service Fund				
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>3,117,106</u>	<u>190,360</u>	<u>29,013</u>	<u>6,746,663</u>
Total Liabilities and Fund Balances	<u>\$ 3,607,319</u>	<u>\$ 263,654</u>	<u>\$ 219,479</u>	<u>\$ 6,746,663</u>

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2004
(Continued)

Housing Choice Voucher Program	Debt Service Fund Public Properties Corporation	Non- Major Funds	Total Governmental Funds
\$ 142,154	\$ 404,354	\$ 841,955	\$ 7,618,211
			649,761
	50,000		50,000
		275,370	2,249,604
			123,060
			1,000
		69,333	487,283
		3,503	14,514
			46,424
			138
29,569			29,569
			1,383,789
10,810			10,810
		78,527	78,527
<u>\$ 182,533</u>	<u>\$ 454,354</u>	<u>\$ 1,268,688</u>	<u>\$ 12,742,690</u>
\$ 7,108	\$	221,134	\$ 453,160
4,264		3,016	408,152
50,000			50,000
			3,423
			53,515
7,841			7,841
		7,282	78,527
<u>69,213</u>		<u>231,432</u>	<u>1,054,618</u>
\$	\$	\$	\$ 6,199
			898,416
			3,110,907
113,320		1,037,256	7,218,196
	454,354		454,354
<u>113,320</u>	<u>454,354</u>	<u>1,037,256</u>	<u>11,688,072</u>
<u>\$ 182,533</u>	<u>\$ 454,354</u>	<u>\$ 1,268,688</u>	<u>\$ 12,742,690</u>

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2004
(Continued)

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 11,688,072
Amounts Reported for Governmental Activities in the Statement of Net Assets	
Are Different Because:	
Notes Receivable: One Year	314,576
Notes Receivable: More Than One Year	1,311,175
Deferred Revenue-Delinquent Taxes	53,515
Capital Assets Used in Governmental Activities Are Not Financial Resources	
and Therefore Are Not Reported in the Funds.	19,462,925
Depreciation	(6,613,323)
Liabilities:	
Due within One Year - Bonds, Notes, and Other Principal Payments	(807,520)
Due in More Than One Year - Bonds, Notes, and Other Principal Payments	(6,144,092)
Sick Leave Payable	(42,782)
Net Assets of Governmental Activities	<u>\$ 19,222,546</u>

The accompanying notes are an integral part of the financial statements.

**CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

For The Year Ended June 30, 2004

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For The Year Ended June 30, 2004

	General Fund	Road Fund	Jail Fund	Payroll Tax Fund
REVENUES				
Taxes	\$ 5,935,509	\$	\$	\$ 6,165,986
Excess Fees	701,113			
Licenses and Permits	227,431	17		
Intergovernmental	1,037,300	834,692	781,268	332,347
Charges for Services	38,341		171,875	
Miscellaneous	1,175,451		56,434	564
Interest	48,328	1,272	1,192	45,551
Total Revenues	<u>9,163,473</u>	<u>835,981</u>	<u>1,010,769</u>	<u>6,544,448</u>
EXPENDITURES				
General Government	2,864,069			3,506,077
Protection to Persons and Property	2,324,507		2,070,098	
General Health and Sanitation	319,559			
Social Services	116,368			
Recreation and Culture	269,900			
Roads		1,506,119		
Bus Service				413,470
Debt Service	472,237	108,704	1,458	
Capital Projects	875,909	4,638		
Administration	2,141,918	262,619	592,461	2,546
Total Expenditures	<u>9,384,467</u>	<u>1,882,080</u>	<u>2,664,017</u>	<u>3,922,093</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(220,994)</u>	<u>(1,046,099)</u>	<u>(1,653,248)</u>	<u>2,622,355</u>
Other Financing Sources (Uses)				
Campbell County Consolidated Dispatch Board	30,270			
Campbell County Extension	72,743			
Adjustment - Prior Year Surplus	378			
Transfers In From Proprietary Funds-Principal and Interest	15,026			
Transfers From Other Funds	3,288,075	980,000	1,814,738	1,561
Transfers To Other Funds	(3,696,945)		(197,087)	(3,115,815)
Total Other Financing Sources (Uses)	<u>(290,453)</u>	<u>980,000</u>	<u>1,617,651</u>	<u>(3,114,254)</u>
Net Change in Fund Balances	(511,447)	(66,099)	(35,597)	(491,899)
Fund Balances - Beginning	3,628,553	256,459	64,610	7,238,562
Fund Balances - Ending	<u>\$ 3,117,106</u>	<u>\$ 190,360</u>	<u>\$ 29,013</u>	<u>\$ 6,746,663</u>

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For The Year Ended June 30, 2004
(Continued)

Housing Choice Voucher Program	Debt Service Fund Public Properties Corporation	Non- Major Funds	Total Governmental Funds
\$	\$	\$ 1,027,655	\$ 13,129,150
			701,113
			227,448
3,360,599	156,423	452,647	6,955,276
			210,216
	4,500	311,547	1,548,496
8,213	589	11,752	116,897
<u>3,368,812</u>	<u>161,512</u>	<u>1,803,601</u>	<u>22,888,596</u>
380,682		850,124	7,600,952
		81,312	4,475,917
			319,559
2,952,486		230,762	3,299,616
			269,900
		4,868	1,510,987
			413,470
	500,428	14,610	1,097,437
21,078		1,126,416	2,028,041
	9,212	12,271	3,021,027
<u>3,354,246</u>	<u>509,640</u>	<u>2,320,363</u>	<u>24,036,906</u>
14,566	(348,128)	(516,762)	(1,148,310)
			30,270
			72,743
			378
	18,200		18,200
	23,526		38,552
	287,117	894,636	7,266,127
		(259,703)	(7,269,550)
	<u>328,843</u>	<u>634,933</u>	<u>156,720</u>
14,566	(19,285)	118,171	(991,590)
98,754	473,639	919,085	12,679,662
<u>\$ 113,320</u>	<u>\$ 454,354</u>	<u>\$ 1,037,256</u>	<u>\$ 11,688,072</u>

The accompanying notes are an integral part of the financial statements.

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**CAMPBELL COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For The Year Ended June 30, 2004

CAMPBELL COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2004

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.

Capitalized Infrastructure Expenditures	263,613
Capital Outlay	1,749,302
Depreciation Expense	(803,968)
Capital Contribution to Dispatch	(200,000)

KACO financing obligations and bond principal payments are expensed in the governmental funds as a use of current financial resources.

Bonds Paid	448,550
KACO Capital Lease Principal Paid	317,211
Receipt from Extension for Bond Payment	(722,743)
Receipt from Dispatch for Lease Payment	(30,270)
Change in Delinquent Tax Receivable	(113)
Change in Compensated Absences	(1,764)

Change in Net Assets of Governmental Activities	\$ 678,228
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CAMPBELL COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND

June 30, 2004

CAMPBELL COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND

June 30, 2004

	Business-type Activities - Enterprise Funds		
	Lakeside Terrace Apartments	A.J. Jolly Park	Totals
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 92,532	\$ 70,050	\$ 162,582
Accounts Receivable	1,447		1,447
Miscellaneous Prepaid Expenses	8,409	6,772	15,181
Total Current Assets	102,388	76,822	179,210
Noncurrent Assets:			
Restricted Deposits			
Tenant Deposits Held In Trust	19,929		19,929
Escrow Deposits	10,867		10,867
Residual Receipts	9,995		9,995
Replacement Reserve	122,865		122,865
Total Restricted Deposits	163,656		163,656
Capital Assets:			
Land and Improvements	268,340		268,340
Land		446,451	446,451
Land Improvements		688,820	688,820
Buildings	1,635,079	121,869	1,756,948
Building Equipment-portable	51,197		51,197
Equipment For Tenant Use	77,312		77,312
Furnishings	36,743		36,743
Office Furniture and Equipment	8,229		8,229
Clubhouse Furniture and Fixtures		85,901	85,901
Maintenance Equipment	6,756		6,756
Golf Equipment		538,666	538,666
Total Capital Assets	2,083,656	1,881,707	3,965,363
Less Accumulated depreciation	(1,300,091)	(998,054)	(2,298,145)
Net Capital Assets	783,565	883,653	1,667,218
Total Noncurrent Assets	947,221	883,653	1,830,874
Total Assets	1,049,609	960,475	2,010,084

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND
June 30, 2004
(Continued)

	Business-type Activities - Enterprise Funds		
	Lakeside Terrace Apartments	A.J. Jolly Park	Totals
Liabilities			
Current Liabilities:			
Accounts Payable	\$ 15,002	\$ 11,381	\$ 26,383
Accounts Payable-Project Improvement	71,930		71,930
Current Portion of Mortgage Payable	83,582		83,582
Sales Tax Payable		1,977	1,977
Accrued Wages	3,887		3,887
Accrued Payroll Taxes Payable	616		616
Accrued Interest	16,971		16,971
Accrued Payroll and Taxes Thereon		19,974	19,974
Total Current Liabilities	191,988	33,332	225,320
Noncurrent Liabilities:			
Tenant Security Deposits	19,929		19,929
Mortgage Payable, less Current Portion	435,554		435,554
Flexible Subsidy Loan Payable	151,464		151,464
Total Noncurrent Liabilities	606,947		606,947
Total Liabilities	798,935	33,332	832,267
Net Assets			
Invested in Capital Assets, Net of Related Debt	112,965	883,653	996,618
Restricted Deposits	143,727		143,727
Unrestricted			
Debt Service Requirements		323,754	323,754
Recreation Project Grants		208,701	208,701
Operations	(6,018)	(488,965)	(494,983)
Total Net Assets	\$ 250,674	\$ 927,143	\$ 1,177,817

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND

For The Year Ended June 30, 2004

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND

For The Year Ended June 30, 2004

	Business-type Activities		
	Enterprise		
	Funds		
	Lakeside	A.J.	
	Terrace	Jolly	
	Apartments	Park	Totals
Operating Revenues			
Rent Revenue-Gross Potential	\$ 260,305	\$	\$ 260,305
Tenant Assistance Payments	63,843		63,843
Total Potential Rent Revenue	324,148		324,148
Vacancies-Apartments	(2,650)		(2,650)
Net Rental Revenue	321,498		321,498
Golf		483,536	483,536
Rentals - Power Carts		205,546	205,546
Rentals - Miscellaneous		1,166	1,166
Concession Commissions		11,836	11,836
Miscellaneous Receipts		5,003	5,003
Total Operating Revenues	321,498	707,087	1,028,585
Less:			
Rent Expense-Power Carts		(52,455)	(52,455)
Gross Profit on			
Operating Revenues	321,498	654,632	976,130
Operating Expenses			
Golf		478,622	478,622
Clubhouse		168,827	168,827
Administrative	66,472	48,313	114,785
Depreciation	58,752		58,752
Utilities	101,610		101,610
Operating and Maintenance Expense	57,915		57,915
Taxes and Insurance	29,855		29,855
Financial Expense	1,808		1,808
Total Operating Expenses	316,412	695,762	1,012,174
Operating Income (Loss)	5,086	(41,130)	(36,044)

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND
For The Year Ended June 30, 2004
(Continued)

	Business-type Activities		
	Enterprise		
	Funds		
	Lakeside	A.J.	
	Terrace	Jolly	
	Apartments	Park	Totals
Nonoperating Revenues (Expenses)			
Transfer To Pay On Lease	\$	\$ (36,694)	\$ (36,694)
Revenue From Investments-Project Operations	2,152		2,152
Revenue From Investments-Reserve for			
Replacements	1,623		1,623
Total Financial Revenue	3,775	(36,694)	(32,919)
Interest Reduction Payments Revenue	36,206		36,206
Laundry And Vending Revenue	4,190		4,190
Total Other Revenue	40,396		40,396
Interest Income		223	223
Total Nonoperating Revenues			
(Expenses)	44,171	(36,471)	7,700
Net Income (Loss) Before Transfers			
Change In Net Assets	49,257	(77,601)	(28,344)
Total Net Assets - Beginning	201,417	1,004,744	1,206,161
Total Net Assets - Ending	\$ 250,674	\$ 927,143	1,177,817

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For The Year Ended June 30, 2004

CAMPBELL COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For The Year Ended June 30, 2004

	Business-type Activities - Enterprise Funds		
	Lakeside Terrace Apartments	A.J Jolly Park	Totals
Cash Flows From Operating Activities			
Receipts from Green Fees	\$	\$ 484,027	\$ 484,027
Rental of Golf Carts		205,546	205,546
Miscellaneous Rentals		1,166	1,166
Rental Receipts	321,690		321,690
Interest Received	2,449		2,449
Laundry and Vending Revenue	4,190		4,190
Excess Rent Retained by Project	1,326		1,326
Interest Reduction Payments Revenue	36,206		36,206
Other Revenue		11,836	11,836
Miscellaneous Receipts		5,003	5,003
Cash Payments to Employees	(90,547)	(421,054)	(511,601)
Cash Payments to Suppliers	(170,754)	(266,730)	(437,484)
Net Cash Provided By Operating Activities	<u>104,560</u>	<u>19,794</u>	<u>124,354</u>
Cash Flows from Capital and Related Financing Activities			
Purchase of Capital Assets		(7,372)	(7,372)
Transfers to Pay on Lease		(36,694)	(36,694)
Mortgage Principal Payments	(76,795)		(76,795)
Net Cash (Used) by Capital and Related Financing Activities	<u>(76,795)</u>	<u>(44,066)</u>	<u>(120,861)</u>
Cash Flows From Investing Activities			
Interest Earned		223	223
Net Deposits to Reserve for Replacements Account	2,504		2,504
Net Deposits to the Mortgage Escrow Account	(1,515)		(1,515)
Net Deposits to Residual Receipts Account	10,470		10,470
Purchase of Property and Equipment	(27,631)		(27,631)
Net Cash Provided by (Used in) Investment Activities	<u>(16,172)</u>	<u>223</u>	<u>(15,949)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	11,593	(24,049)	(12,456)
Cash and Cash Equivalents - July 1	<u>80,939</u>	<u>94,099</u>	<u>175,038</u>
Cash and Cash Equivalents - June 30	<u>\$ 92,532</u>	<u>\$ 70,050</u>	<u>162,582</u>

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF CASH FLOWS-
PROPRIETARY FUNDS
For The Year Ended June 30, 2004
(Continued)

	Business-type Activities -		
	Enterprise Funds		
	Lakeside Terrace Apartments	A.J Jolly Park	Totals
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	49,257	(41,130)	8,127
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities			
Depreciation Expense	58,752	73,440	132,192
Accounts Receivable	192	491	683
Prepaid Expenses	3,822	(6,772)	(2,950)
Accounts Payable	(8,778)	2,392	(6,386)
Sales Tax Payable		(8,506)	(8,506)
Accrued Interest	1,515		
Accrued Payroll and Taxes	(200)	(121)	(321)
 Net Cash Provided By Operating Activities	 <u>\$ 104,560</u>	 <u>\$ 19,794</u>	 <u>\$ 124,354</u>

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS

June 30, 2004

**CAMPBELL COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS**

June 30, 2004

	Agency Fund			
	Jail Inmate Account	Consolidated Payroll Tax Account	Performance Bond Account	Totals
Assets				
Current Assets:				
Cash and Cash Equivalents	\$	\$	\$	\$
Interfund Receivable	3,423	48,339	142,185	190,524
				3,423
Total Assets	\$	\$	\$	\$
	3,423	48,339	142,185	193,947
Liabilities				
Amounts Held In Custody For Others	\$	\$	\$	\$
	3,423	48,339	142,185	193,947
Total Liabilities	\$	\$	\$	\$
	3,423	48,339	142,185	193,947

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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**CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2004

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. (AICPA)

B. Reporting Entity

For financial reporting purposes, the Campbell County Fiscal Court includes the funds, agencies, boards, and entities for which the Fiscal Court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the primary government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either fiscal court is financially accountable or their exclusion would cause the financial statements to be misleading or incomplete.

Component units may be blended or discretely presented. Blended component units are those that either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. Amounts related to blended component units are included as if the component unit was part of the primary government.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blended method.

Campbell County Fiscal Court Housing Voucher Department Housing Choice Voucher Program:

The Campbell County Fiscal Court operates the Housing Voucher Department Housing Voucher Program. It is engaged in providing rental assistance to persons of low income and who, for the most part, are residents of Campbell County, Kentucky. Funds to operate the program are obtained principally from the U.S. Department of Housing and Urban Development. This component unit is blended within the financial statements of the county.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Campbell County Public Properties Corporation:

The Board of Directors of the Campbell County Public Properties is made up entirely of the members of the Campbell County Fiscal Court. The Corporation is created solely for the benefit of the Fiscal Court per KRS 58.180 to act as an agent in the acquisition and financing of any public project and cannot be sued in its own name without recourse to the Campbell County Fiscal Court. The Fiscal Court has access to the Corporation's resources, is legally obligated to finance the debts, or provide financial support to the Corporation. The Corporation is financially accountable to the Fiscal Court. This component unit is blended within the financial statements of the County.

Lakeside Terrace Apartments HUD Project No. 083-44012-236:

The Project is a 96-Unit apartment for the elderly located in Highland Heights, Kentucky. The project is operated under Section 236 of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development with respect to rental charges and operating methods. The Project's major program is its Section 236 direct loan. Legal title to the project is held by the Campbell County Public Properties Corporation, a nonprofit corporation. This component unit is blended within the financial statements of the County.

A.J. Jolly Park:

The activities of A.J. Jolly Park (an agency of the Campbell County Fiscal Court) are accounted for using the enterprise fund principle. This reporting method was adopted to account for the Park operations in a manner similar to private business enterprises. The major portion of land on which the Park is operated is owned by Campbell County Public Parks Corporation, which used two related bond issues to acquire it. Once the bonds are retired, the Public Park Corporation will transfer title of the property to the County. This component unit is blended within the financial statements of the County.

As noted in the above paragraph, the four blended component units were audited by other auditors; and their reports can be obtained in their entirety at the following:

Campbell County Fiscal Court
24 West Fourth Street
PO Box 72340
Newport, KY 41072-0340

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Additional - Campbell County Elected Officials

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

Kentucky law provides for the election of the officials above from the geographic area constituting Campbell County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the Fiscal Court, various cities and special districts within the County, and the Board of Education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

C. Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities report information on all governmental and business-type activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities are generally characterized by their use of taxes and intergovernmental revenues as funding sources. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in government-wide financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Therefore, deferred revenues are only reported for receipts of prepayments or revenues collected in advance (unearned revenues). Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenues once provider-imposed eligibility requirements have been met.

The Statement of Net Assets presents the reporting entity's non-fiduciary assets and liabilities with the difference between the two shown as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide Financial Statements (Continued)

A significant feature of the government-wide Statement of Activities is the presentation of each program's net cost. GAAP requires the reporting of a program's net cost to indicate how self-sustaining the program is and to reveal the extent of reliance on other governmental units. Net cost is obtained by subtracting program expenses from program revenues. Program expenses are those costs attributable to a particular function including certain indirect costs. GAAP permits both direct and indirect program expenses to be presented together in an "Expenses" column. Therefore, indirect expenses are not specifically identified with individual functions and activities.

Program revenues are resources that derive directly from the program itself or from parties outside the government that reduce the total expense of the benefiting functional activity to arrive at the net expense of the activity. The Statement of Activities categorizes program revenues into three groups: charges for goods, services, and other benefits; operating grants and contributions; and capital grants and contributions. Revenues not considered program revenues are classified as general revenues. General revenues include all taxes regardless of type.

D. Fund Financial Statements

The accompanying financial statements are structured into three fund categories: governmental funds, proprietary funds and fiduciary funds. Funds are categorized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary), and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and proprietary funds combined. The Fiscal Court may also designate any fund as major.

Separate financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

All governmental fund statements are accounted for on the modified accrual basis of accounting and focus on the flow of current financial resources. In accordance with the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the fiscal period. Revenues are considered to be available when they are either collected within the current period or their collection is expected shortly after the end of the current period in time to meet current liabilities. The County generally includes those revenues to be received up to 90 days following the end of the accounting period. Revenues expected to be collected after 90 days beyond the end of the accounting period are considered unavailable and are reported as deferred revenues. Deferred revenues also include amounts received but unearned as of June 30.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

In governmental funds, where the focus is on the flow of current resources, expenditures are usually recorded at the time liabilities are incurred. Exceptions are: inventories, prepayments, and acquisition of capital assets which are recorded at the time of acquisition; principal and interest on long-term debt; as well as compensated absences which are recorded as expenditures in the period payment is made.

The government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road and Bridge Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the Fiscal Court to maintain these revenues and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the County. The primary sources of revenue for this fund are reimbursements from the state and federal government, other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the Fiscal Court to maintain these revenues and expenditures separately from the General Fund.

Payroll Tax Fund - The purpose of this fund is to account for occupational tax collections, which were originally approved by voters as Section 12 of Ordinance R-34-78 and amended with Ordinance O-26-99. All money derived under the provisions of this Ordinance are to be placed to the credit of:

- A) The General Revenue Fund of the County of Campbell and shall be used and expended in defraying the current general and incidental expenses of the County;
- B) To appropriate and pay over to the Transit Authority of Northern Kentucky capital and operating funds as provided in K.R.S. Chapter 96A;
- C) For traffic improvement and mass transportation, related projects as authorized by the Fiscal Court.

Campbell County Fiscal Housing Department Housing Choice Voucher Program - The Campbell County Housing Choice Voucher Program is operated by the Campbell County Fiscal Court. It is engaged in providing rental assistance to persons of low income and who, for the most part, are residents of Campbell County, Kentucky. Funds to operate the program are obtained principally from the U.S. Department of Housing and Urban Development.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Campbell County Public Properties Corporation - This Corporation was created solely for the benefit of the Fiscal Court to act as an agent in the acquisition and financing of any public project. It is used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

The government also has the following non-major funds: Local Government Economic Assistance (LGEA) Fund, Waterline Grant Fund, Emergency Shelter Grant Fund, Senior Citizen Tax Fund, Mental Health Tax Fund, the Developer Road Escrow Fund, Jail Commissary Fund, Campbell County Health Services, Inc. Human Resource Fund, and the Capital Projects Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Payroll Tax Fund, Campbell County Fiscal Court Housing Department Housing Choice Voucher Program, Local Government Economic Assistance (LGEA) Fund, Waterline Grant Fund, Emergency Shelter Grant Fund, Senior Citizen Tax Fund, Mental Health Tax Fund, Jail Commissary Fund, the Developer Road Escrow Fund, and the Campbell County Health Services Incorporated Human Resource Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund:

The Capital Projects Fund is used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund:

The Campbell County Public Properties Corporation, which was audited by other auditors, is used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary Funds:

Proprietary funds use the full accrual basis of accounting, recognizing revenues and expenses when they occur, regardless of the timing of the cash flows. On the Statement of Revenues, Expenses and Changes in Net Assets, the term "expenses" (not "expenditures" as in governmental funds on a modified accrual basis) describes the decrease in economic benefits and emphasizes the accrual basis of accounting.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds: (Continued)

In proprietary funds, revenues and expenses are divided into operating and non-operating revenues and expenses. Although not specifically defined by GAAP, operating revenues and expenses are considered to be those resources gained and consumed to produce and deliver goods and services that are central to that fund's particular purpose. Other revenues and expenses are classified as non-operating. Operating and non-operating expense are further characterized by object (personal services, depreciation expense, etc.).

Furthermore, the government has adopted the provisions of GASB Statement No 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Funds that use Proprietary Fund Accounting." As permitted by GASB Statement No. 20, the government's proprietary funds have elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The government reports the following major proprietary funds:

Lakeside Terrace Apartments HUD Project No. 083-44012-236

The Project is a 96-unit apartment project for the elderly located in Highland Heights, Kentucky. The Project is operated under Section 236 of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development with respect to rental charges and operating methods. The Project's major program is its Section 236 direct loan.

Legal title to the Project is held by Campbell County Public Properties Corporation, a nonprofit corporation. The accompanying financial statements are those of the Project and do not represent the financial statements of Campbell County Public Properties Corporation. The Project is a component unit of the Campbell County Fiscal Court.

The Project is subject to Section 8 Housing Assistance Payments agreements with the U.S. Department of Housing and Urban Development (HUD), and a significant portion of the Project's rental income is received from HUD. The Project's non-major programs are its rent subsidy and Flexible Subsidy Loan.

A.J. Jolly Park

The A.J. Jolly Park is a component unit enterprise fund of the Campbell County Fiscal Court. The Park is the operator of the A.J. Jolly Golf Course.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Fiduciary Funds

Fiduciary funds are defined as funds used to report assets held in a trustee or agency capacity for others which, therefore, cannot be used to support the government's own programs. This category of funds includes agency funds. The government's fiduciary fund types are described below.

Agency funds account for monies held by the county for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus. However, the agency fund uses the accrual basis of accounting when recognizing payables and receivables.

The agency funds of Campbell County are the Jail Inmate Account, the Consolidated Payroll Tax Account, and the Performance Bond Account.

As discussed previously, because the fiduciary fund resources are not available to support government programs, fiduciary funds are excluded from the government-wide financial statements. Inclusion of these funds would create a misleading view of the government's financial position and result of activities.

D. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the County to invest in the following, including but not limited to: obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC), or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). Investments are reported at fair market value.

E. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Capital Assets (Continued)

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

Assets are depreciated on the straight-line basis over their estimated useful lives. The table below shows the useful life by asset type.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 5,000	10-20
Buildings and Improvements	5,000	25-40
Machinery and Equipment	5,000	5-10
Vehicles	5,000	5-10
Utility Systems	5,000	25-40
Infrastructure	5,000	20-40

F. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and KACO financing obligations is reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

Compensated Absences

The County's policies regarding vacation time do not permit an employee to accumulate vacation time. Although they earn time based on their years of service, they have until April of the following year to utilize all vacation time earned the previous year. However, upon termination of employment, employees do receive pay for unused vacation time.

The County Police and the Road Department have a separate contract for sick leave. These employees earn 40 hours of sick leave per year. The entire 40 hours is given to them in January. If they are still employed by the Fiscal Court on December 31, they receive pay for their unused sick time the following January. If they are not still employed on December 31, they do not get paid for their unused sick time.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Long-term Obligations (Continued)

The remaining Fiscal Court employees also receive 40 hours of sick leave in January. However, they do not get paid for their unused sick time.

G. Fund Equity Reserves and Designations

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent Fiscal Court's intended use of the resources and should reflect actual plans approved by the Fiscal Court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the Fiscal Court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

"Reserved for TANK (Transit Authority of Northern Kentucky) Contributions is referring to the portion of the TANK payroll tax receivable (first quarter) which the Campbell County Fiscal Court has agreed to provide to TANK to provide transit service in Campbell County.

H. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The State Local Finance Officer does not require the Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific annual payments to this fund and these transfers are budgeted in the governmental funds.

The State Local Finance Officer does not require the Jail Canteen Fund to be budgeted because the Fiscal Court does not approve the expenses made from these funds. However, Campbell County has chosen to budget these funds.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Budgetary Information (Continued)

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

I. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include payroll taxes.

In the fund financial statements, material receivables in governmental funds include revenue accruals, such as, occupational taxes, grants, and other similar revenues since they are usually both measurable and available. Non-exchange transactions, collectible but not available, are deferred in the fund financial statements in accordance with the accrual basis of accounting. Interest and investment earnings are recorded when earned only if paid within 90 days since they would be considered both measurable and available.

J. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and service type transactions are classified as "due to and from other funds". Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

K. Deferred Revenue

Deferred revenues are treated as liabilities in the governmental funds until all requirements for revenue recognition are met.

Note 2. Deposits and Investments

A. Deposits

The County maintained deposits of public funds with five depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is: (a) in writing; (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee; and (c) an official record of the depository institution. These requirements were met; and as of June 30, 2004, the County's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County's agent in the County's name or provided surety bond which named the County as beneficiary/obligee on the bond.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 2. Deposits and Investments (Continued)

B. Investments

The County's investments are categorized below to give an indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are insured or registered or the securities are held by the County or by the County's agent in the County's name. Category 2 includes uninsured and unregistered investments where the securities are held by the financial institution in the County's name. Category 3 includes uninsured and unregistered investments where the securities were held by the financial institution, but not in the County's name.

<u>Types of Investments</u>	<u>Category 1</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Federal National Mortgage Association Discount Note	\$ 499,537	\$ 499,537	\$ 499,650
Federal National Mortgage Treasury Note	600,000	600,000	590,721
Federal Home Loan Banks	800,000	800,000	786,502
Federal Home Loan Bank Discount Notes	114,389	114,389	114,977
First American Treasury Obligation CI Y	<u>35,835</u>	<u>35,835</u>	<u>35,835</u>
Totals	<u>\$ 2,049,761</u>	<u>\$ 2,049,761</u>	<u>\$ 2,027,685</u>

Note 3. Operating Leases

The Fiscal Court entered into lease agreements for copiers used by various County departments. The future minimum lease payments for these leases are as follows:

<u>Governmental Activities Fiscal Year Ended June 30,</u>	<u>Amount</u>
2005	\$ 4,671
2006	<u>315</u>
Totals	<u>\$ 4,986</u>

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 3. Operating Leases (Continued)

The Park entered into a three-year lease for golf carts effective April 2004 for a total rental of \$142,206, or \$47,402 per year. This replaced the previous lease for golf carts that expired in April 2004. Under the terms of the lease, the lessee agreed to obtain an "all risk" property insurance policy covering its full replacement value. In addition, the Park is required to obtain public liability insurance naming the lessor as an additional insured.

Business-Type Activities	
Fiscal Year Ended	
June 30	Amount
2005	\$ 47,402
2006	47,402
2007	27,087
	<u>\$ 121,891</u>

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 2,299,619	\$ 875,909	\$	\$ 3,175,528
Capital Assets, Being Depreciated:				
Land Improvements	319,738	50,615		370,353
Buildings	9,818,385	277,083		10,095,468
Other Equipment	980,338	313,014		1,293,352
Furniture and Fixtures	91,150	21,078	(6,060)	106,168
Vehicles and Equipment	2,270,780	211,603	(112,038)	2,370,345
Infrastructure	1,788,098	263,613		2,051,711
Total Capital Assets Being Depreciated	15,268,489	1,137,006	(118,098)	16,287,397
Less Accumulated Depreciation For:				
Land Improvements	(61,142)	(24,708)		(85,850)
Buildings	(2,902,954)	(244,149)		(3,147,103)
Other Equipment	(331,074)	(129,711)		(460,785)
Furniture and Fixtures	(65,235)	(10,654)	6,060	(69,829)
Vehicles and Equipment	(1,423,852)	(276,379)	112,038	(1,588,193)
Infrastructure	(1,143,196)	(118,367)		(1,261,563)
Total Accumulated Depreciation	(5,927,453)	(803,968)	118,098	(6,613,323)
Total Capital Assets, Being Depreciated, Net	9,341,036	333,038		9,674,074
Governmental Activities Capital Assets, Net	\$ 11,640,655	\$ 1,208,947	\$ 0	\$ 12,849,602

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Capital Assets (Continued)

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 480,390	\$	\$	\$ 480,390
Land Improvements	234,401			234,401
Total Capital Assets Not Being Depreciated	714,791			714,791
Capital Assets, Being Depreciated:				
Land Improvements	688,820			688,820
Buildings	1,756,948			1,756,948
Portable building equipment	27,162	24,035		51,197
Equipment for tenant use	75,528	1,784		77,312
Furnishings	36,743			36,743
Office Furniture and equipment	6,417	1,812		8,229
Maintenance equipment	6,756			6,756
Fixtures	85,901			85,901
Machinery and Equipment	531,294	7,372		538,666
Total Capital Assets Being Depreciated	\$ 3,215,569	\$ 35,003	\$	\$ 3,250,572
Less Accumulated Depreciation For:				
Land Improvements	(343,872)	(41,490)		(385,362)
Buildings	(1,223,266)	(51,492)		(1,274,758)
Portable building equipment	(7,580)	(3,536)		(11,116)
Equipment for tenant use	(49,524)	(4,675)		(54,199)
Furnishings	(27,363)	(2,471)		(29,834)
Office Furniture and Equipment	(5,380)	(496)		(5,876)
Maintenance equipment	(6,467)	(129)		(6,596)
Club house furniture and fixtures	(83,074)	(1,373)		(84,447)
Golf Equipment	(419,427)	(26,530)		(445,957)
Total Accumulated Depreciation	(2,165,953)	(132,192)		(2,298,145)
Total Capital Assets, Being Depreciated, Net	1,049,616	(97,189)		952,427
Business-type Activities Capital Assets, Net	\$ 1,764,407	\$ (97,189)	\$ 0	\$ 1,667,218

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 145,991
Protection to Persons and Property	344,489
General Health and Sanitation	6,441
Social Services	34,257
Recreation and Culture	128,413
Roads	40,660
Road Equipment	<u>103,717</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 803,968</u>

Business-type Activities

A.J. Jolly Park	\$ 73,440
Lakeside Terrace Apartments	<u>58,752</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 132,192</u>

Note 5. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on these criteria, the following is considered a joint venture of Campbell County Fiscal Court: Campbell County Consolidated Dispatch Board.

The audit of the Campbell county Consolidated Dispatch Board can be obtained by writing the Board at 998 Monmouth Street, Newport, KY 41071-2115.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 6. Note Receivable

Campbell County Consolidated Dispatch Board

The Campbell County Consolidated Dispatch Board entered into a six-year note payable at 3.25% in the amount of \$1,250,000 in accordance with the Memorandum of Understanding (See Note 8D) with the Campbell County Fiscal Court dated June 27, 2002. The repayment of the note began during fiscal year 2003. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Other</u> <u>Fees</u>	<u>Total</u>
2005	\$ 204,700	\$ 27,963	\$ 5,892	\$ 238,555
2006	211,353	21,310	4,490	237,153
2007	218,222	14,441	3,043	235,706
2008	226,108	7,349	1,549	235,006
	<u>\$ 860,383</u>	<u>\$ 71,063</u>	<u>\$ 14,974</u>	<u>\$ 946,420</u>

Note 7. Capital Lease Receivable

The Campbell County Extension District Board on January 16, 1992, entered into a capital lease with the Campbell County Public Properties Corporation (CCPPC) for construction of a building for housing the offices of the Extension District. The CCPPC agreed to provide adequate land for the facility as well as assume the responsibility for securing a qualified licensed architect who would design and oversee the complete construction of the project. The Extension District has full responsibility to pay the entire cost of the construction including that of securing financing for the, professional expenses, bond expenses, and construction expenses. It was agreed that the Extension District would advance the CCPPC \$175,000 for initial expenses related to the construction; and upon occupation of the building by the Extension District, a semi-annual rent obligation would be payable to the CCPPC. The sum payable to the CCPPC shall include all expenses on an amortized basis over the life of the bonds for all costs related to financing and all fees associated with the issuance of the bonds. The Extension District has been granted the option of purchasing the building, parking lot, and area required for ingress and egress from the CCPPC for \$1.00 plus the assumption of all indebtedness owed for the construction of the project, if any. This option expires within 30 years from the signing of the above contract.

The Extension District advanced the CCPPC an additional \$96,932 to cover construction costs in excess of that originally contemplated.

For financial statement purposes, this has been treated as a capital lease.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 7. Capital Lease Receivable (Continued)

At June 30, 2004, the future minimum payments required under the lease agreement and the present value of minimum capital lease payments are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 55,000	\$ 21,021	\$ 76,021
2006	55,000	19,151	74,151
2007	55,000	17,212	72,212
2008	60,000	15,127	75,127
2009	65,000	12,797	77,797
2010 and thereafter	<u>280,000</u>	<u>24,023</u>	<u>304,023</u>
	<u>\$ 570,000</u>	<u>\$ 109,331</u>	<u>\$ 679,331</u>

Note 8. Long-term Debt

A. 2001 Refunding Bonds

The Campbell County Fiscal Court issued as of July 1, 2001 \$2,520,000 General Project Refunding Bond, Series 2001, to refund Campbell County, Kentucky, Public Properties Corporation Multiple Projects Revenue Bonds, Series 1992. In the 1992 series, a portion of the project was subleased by the County to the Campbell County Extension District Board pursuant to a sublease dated as of December 1, 1992 for automatically renewable annual periods through December 1, 2012. Payments to the County under the sublease are equal to the pro-rata portion of the lease payments to be made by the County, which are allocable to the portion of the project being subleased to the Extension District Board. The outstanding balance due to the Campbell County Fiscal Court from the Extension District Board as of June 30, 2004 was \$620,000.

The new bonds mature in varying amounts from \$70,000 to \$170,000 from December 1, 2001 to December 1, 2022 at interest rates ranging from 3.2% to 5.00%.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 8. Long-term Debt (Continued)

A. 2001 Refunding Bonds (Continued)

Bonds outstanding on June 30, 2004 was \$2,180,000. The debt service requirements for future fiscal years are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2005	\$ 89,786	\$ 125,000
2006	85,450	130,000
2007	80,867	130,000
2008	76,064	135,000
2009	70,845	145,000
2010-2014	262,239	705,000
2015-2019	149,745	405,000
2020-2022	<u>41,554</u>	<u>405,000</u>
Totals	<u>\$ 856,550</u>	<u>\$ 2,180,000</u>

B. First Mortgage Refunding and Improvement Revenue Bonds, Series 1997 (Campbell County Public Properties Corporation)

First Mortgage Refunding and Improvement Revenue Bonds, Series 1997 were issued July 1, 1997 in the amount of \$3,650,000 for the purpose of refunding First Mortgage Revenue bonds (Jail Facilities Project) issued November 1, 1989. The bonds mature in varying amounts from \$95,000 to \$285,000 from November 1, 1997 through 2017. Interest is payable semiannually on May 1 and November 1 at rates from 4.7% to 4.8%. The bonds are secured by a foreclosable first mortgage lien on the jail property and A. J. Jolly Park and a pledge of revenue from both facilities. During the year ended June 30, 1998, the Campbell County Public Parks Corporation advanced A.J. Jolly Park \$466,200 to pay the cost of a new irrigation system. The amount of bonds assigned to park and recreation improvements was \$1,665,000. Under the terms of the agreement the Park is obligated to pay its proportionate part of the bonds and interest as they become due.

Bonds outstanding on June 30, 2004 were \$2,480,000. The debt service requirements for future fiscal years are as follows:

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 8. Long-term Debt (Continued)

B. First Mortgage Refunding and Improvement Revenue Bonds, Series 1997 (Campbell County Public Properties Corporation) (Continued)

<u>Fiscal Year Ended June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2005	\$ 113,723	\$ 210,000
2006	103,511	220,000
2007	92,823	230,000
2008	81,481	245,000
2009	69,481	255,000
2010-2014	190,560	850,000
2015-2018	<u>46,320</u>	<u>470,000</u>
Totals	<u>\$ 697,899</u>	<u>\$ 2,480,000</u>

C. First Mortgage Refunding Revenue Bonds (Court Facilities Project), Series 1998

As of July 1, 1998, Campbell County Public Properties Corporation issued \$1,545,000 First Mortgage Refunding Revenue Bonds (Court Facilities Project), Series 1998. These bonds mature in varying amounts on August 1 of each year from 1999 through 2009. Proceeds of the bonds were issued principally to defease and discharge First Mortgage Revenue Bonds (District Court Building) dated February 1, 1991. Under this arrangement the Corporation made provision for discharge of all Bonds by depositing with the Trustee permissible investment obligations sufficient to pay all principal and interest requirements on the bonds to a permitted date of redemption, or to the date of maturity, consequently the corporation has no further liability for the bonds. Interest is payable semiannually on February 1 and August 1 at rates ranging from 4% to 4.3% and principal payments are due annually on August 1 of each year.

Bonds outstanding on June 30, 2004 were \$915,000. The debt service requirements for future fiscal years are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2005	36,155	145,000
2006	29,992	145,000
2007	23,542	155,000
2008	16,662	165,000
2009	9,459	170,000
2010	<u>2,902</u>	<u>135,000</u>
Totals	<u>\$ 118,712</u>	<u>\$ 915,000</u>

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 8. Long-term Debt (Continued)

D. Kentucky Association of Counties Leasing Trust

The Campbell County Fiscal Court, the City of Fort Thomas, and the City of Newport entered into an interlocal agreement dated January 9, 2001, which created Campbell County Consolidated Dispatch Board. (Note 1I). As indicated per this interlocal agreement, the Campbell County Fiscal Court shall make a one-time contribution of cash in the amount of \$750,000, earmarked for capital equipment and development of the new communications system. Furthermore, the Fiscal Court shall make an annual and recurring cash contribution to the Board, earmarked for general operational expenses, at the beginning of each fiscal year, commencing on the first year of dispatch service. The base amount for the initial fiscal year shall be \$200,000, which shall be adjusted each ensuing year by the percentage of increase/decrease in the cost-of-living index for the Greater Cincinnati SMSA area, as reported by the Bureau of Labor Statistics.

A memorandum of understanding was entered into by and between the Campbell County Fiscal Court and the Campbell County Consolidated Dispatch Board on June 27, 2002 implementing the following: The Campbell County Fiscal Court will enter into a six-year lease with Kentucky Association of Counties Leasing Trust (KACoLT) in the sum of \$2,000,000 for the purpose of financing dispatch equipment for the Board. A total of \$1,250,000 of the principal amount will be made on behalf of the Campbell County Consolidated Dispatch Board, and a total of \$750,000 will be made on behalf of the County in meeting its obligation pursuant to the interlocal agreement dated January 9, 2001. In addition, the Campbell County Fiscal Court shall be paid by the Campbell County Consolidated Dispatch Board a total of 62.5% of the annual lease payment less the credit of \$200,000 pursuant to the interlocal agreement. The outstanding balance due to the Campbell County Fiscal Court from the Campbell County Consolidated Dispatch Board was \$1,058,640.

On June 14, 2002, Campbell County Fiscal Court entered into a six-year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) for the purpose of leasing dispatch equipment for the Campbell County Consolidated Dispatch Board. In June 2002, the first drawdown was made on this lease for the purchase of dispatch equipment and furniture. The remaining drawdowns were made in the fiscal year ended June 2003.

Interest is paid on a monthly basis, and a principal payment is made annually until termination of the lease in fiscal year ending June 30, 2008, as shown in the following table.

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal	Scheduled Fees
2004-2005	\$ 30,848	\$ 327,520	\$ 10,634
2005-2006	23,552	338,164	8,117
2006-2007	15,960	349,155	5,502
2007-2008	8,138	361,773	2,802
Totals	<u>\$ 78,498</u>	<u>\$ 1,376,612</u>	<u>\$ 27,055</u>

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 8. Long-term Debt (Continued)

E. Mortgage Payable (Lakeside Terrace Apartments)

The mortgage payable as of June 30, 2004, represents a permanent building loan provided by HUD. The balance due as of June 30, 2004, was \$519,136. The monthly installments for principal and interest at June 30 are \$10,375 with a maturity date of February 1, 2010. Interest is being charged at 8.50%. The mortgage note is secured by the apartment project.

Maturities of the principal of the mortgage note are as follows:

<u>Business-type Activities</u> <u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2005	\$ 83,582
2006	90,970
2007	99,011
2008	107,762
2009	117,288
2010	20,523
	<u>\$ 519,136</u>

The fair value of the mortgage payable is estimated based on the current rates offered to the Project for debt of the same remaining maturities. At June 30, 2004, the fair value of the mortgage payable approximates the amounts recorded in the financial statements.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 8. Long-term Debt (Continued)

F. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>				
General Obligation				
Public Refunding Bonds	\$ 2,300,000	\$ 120,000	\$ 2,180,000	\$ 125,000
KACO Leasing Trust				
Financing Obligations	1,693,823	317,211	1,376,612	327,520
First Mortgage Refunding and Improvement Revenue				
Bond Series 1997	2,680,000	200,000	2,480,000	210,000
First Mortgage Refunding Revenue Bonds Series 1998	1,050,000	135,000	915,000	145,000
 Governmental Activities				
Long-term Liabilities	<u>\$ 7,723,823</u>	<u>\$ 772,211</u>	<u>\$ 6,951,612</u>	<u>\$ 807,520</u>
 <u>Business Type Activities</u>				
Mortgage Payable	<u>\$ 595,931</u>	<u>\$ 76,795</u>	<u>\$ 519,136</u>	<u>\$ 83,582</u>
 Business Type Activities				
Long-term Liabilities	<u>595,931</u>	<u>76,795</u>	<u>519,136</u>	<u>83,582</u>
 Total	<u>\$ 8,319,754</u>	<u>\$ 849,006</u>	<u>\$ 7,470,748</u>	<u>\$ 891,102</u>

Note 9. Interest On Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$51,221 in interest on financing obligations and \$259,227 in interest on bonds and notes.

Note 10. First Mortgage Bonds-May 1, 1963 Issue-Defeasement

Under the terms of the bond indenture the Public Properties Corporation had the option to establish an escrow fund for retirement of the bonds and be relieved of the liability for any bonds still outstanding. As of June 30, 1988, such a fund was established, a trustee appointed, and the required deposit made; consequently, the corporation has no further liability for the bonds. The defeasement of these bonds was established under an irrevocable trust agreement. As of June 30, 2004, the amount of defeased debt outstanding but removed from the accounting records amounted to approximately \$275,000.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 11. Employee Retirement System

The County has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5 percent of their salary to the plan. The County's contribution rate for non-hazardous employees was 7.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The County's contribution rate for hazardous employees was 18.51 percent.

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 12. Estimated Infrastructure Historical Cost

Infrastructure historical cost is an estimate. The primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction.

Note 13. Required Supplementary Information

In the required supplementary information, the budgetary comparison of the Housing Choice Voucher Program has not been included. Since the Public Properties Corporation is not budgeted, there is no budgetary comparison included for Public Properties Corporation.

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
REQUIRED SUPPLEMENTARY INFORMATION

For The Year Ended June 30, 2004

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2004

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 5,561,500	\$ 5,561,500	\$ 5,965,817	\$ 404,317
Excess Fees	710,000	710,000	718,570	8,570
Licenses and Permits	156,500	156,500	226,431	69,931
Intergovernmental Revenue	522,139	826,139	949,626	123,487
Charges for Services	30,100	30,100	38,341	8,241
Miscellaneous	1,067,541	1,087,841	1,238,629	150,788
Interest	50,000	50,000	57,548	7,548
Total Revenues	8,097,780	8,422,080	9,194,962	772,882
EXPENDITURES				
General Government	3,003,608	3,241,558	2,877,721	363,837
Protection to Persons and Property	2,472,757	2,522,057	2,291,463	230,594
General Health and Sanitation	342,790	361,290	321,165	40,125
Social Services	118,878	119,478	114,261	5,217
Recreation and Culture	289,300	298,950	262,681	36,269
Debt Service	2,134,250	1,979,250	472,237	1,507,013
Capital Projects		876,000	875,909	91
Administration	2,483,200	2,670,500	2,130,319	540,181
Total Expenditures	10,844,783	12,069,083	9,345,756	2,723,327
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(2,747,003)	(3,647,003)	(150,794)	3,496,209
OTHER FINANCING SOURCES (USES)				
Borrowed Money	1,500,000	1,500,000		(1,500,000)
Adjustment - Prior Year Surplus			378	378
Campbell County Consolidated Dispatch Bo	30,270	30,270	30,270	
Campbell County Extension	72,743	72,743	72,743	
Transfers in from Proprietary Funds - Principal and Interest	15,026	15,026	15,026	
Transfers in from Other Funds	3,284,896	3,284,896	3,466,821	181,925
Transfers out to Other Funds	(3,476,200)	(3,556,200)	(3,727,142)	(170,942)
Total Other Financing Sources and Uses	1,426,735	1,346,735	(141,904)	(1,488,639)
Net Changes in Fund Balances	(1,320,268)	(2,300,268)	(292,698)	2,007,570
Fund Balances - Beginning	1,320,268	2,300,268	3,316,895	1,016,627
Fund Balances - Ending	\$ 0	\$ 0	\$ 3,024,197	\$ 3,024,197

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits	\$ 100	\$ 100	\$ 17	\$ (83)
Intergovernmental Revenue	678,900	826,800	811,524	(15,276)
Miscellaneous		6,300		(6,300)
Interest	1,200	1,200	1,272	72
Total Revenues	680,200	834,400	812,813	(21,587)
EXPENDITURES				
Roads	1,360,730	1,557,030	1,496,862	60,168
Debt Service	97,180	97,180	96,277	903
Capital Projects	18,000	18,000	4,638	13,362
Administration	229,780	187,680	254,712	(67,032)
Total Expenditures	1,705,690	1,859,890	1,852,489	7,401
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,025,490)	(1,025,490)	(1,039,676)	(14,186)
OTHER FINANCING SOURCES (USES)				
Transfers in from Other Funds	980,000	980,000	980,000	
Total Other Financing Sources and Uses	980,000	980,000	980,000	
Net Changes in Fund Balances	(45,490)	(45,490)	(59,676)	(14,186)
Fund Balances - Beginning	45,490	45,490	102,196	56,706
Fund Balances - Ending	\$ 0	\$ 0	\$ 42,520	\$ 42,520

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 830,500	\$ 830,500	\$ 787,500	\$ (43,000)
Charges for Services	154,000	154,000	172,561	18,561
Miscellaneous	71,900	71,900	62,256	(9,644)
Interest			1,192	1,192
Total Revenues	<u>1,056,400</u>	<u>1,056,400</u>	<u>1,023,509</u>	<u>(32,891)</u>
EXPENDITURES				
Protection to Persons and Property	1,975,250	2,062,150	2,010,758	51,392
Debt Service	197,700	4,036	1,458	2,578
Administration	612,190	525,290	581,793	(56,503)
Total Expenditures	<u>2,785,140</u>	<u>2,591,476</u>	<u>2,594,009</u>	<u>(2,533)</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,728,740)</u>	<u>(1,535,076)</u>	<u>(1,570,500)</u>	<u>(35,424)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from Other Funds	1,715,000	1,715,000	1,814,738	99,738
Transfers out to Other Funds		(193,664)	(193,664)	
Total Other Financing Sources and Uses	<u>1,715,000</u>	<u>1,521,336</u>	<u>1,621,074</u>	<u>99,738</u>
Net Changes in Fund Balances	(13,740)	(13,740)	50,574	64,314
Fund Balances - Beginning	<u>13,740</u>	<u>13,740</u>	<u>59,544</u>	<u>45,804</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 110,118</u>	<u>\$ 110,118</u>

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

	TANK FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 5,800,000	\$ 5,800,000	\$ 6,107,514	\$ 307,514
Intergovernmental Revenue	325,000	325,000	332,347	7,347
Miscellaneous			564	564
Interest	75,000	75,000	61,535	(13,465)
Total Revenues	<u>6,200,000</u>	<u>6,200,000</u>	<u>6,501,960</u>	<u>301,960</u>
EXPENDITURES				
General Government	4,741,700	4,741,400	3,506,077	1,235,323
Bus Services	430,000	430,000	413,470	16,530
Administration	302,500	302,800	2,546	300,254
Total Expenditures	<u>5,474,200</u>	<u>5,474,200</u>	<u>3,922,093</u>	<u>1,552,107</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>725,800</u>	<u>725,800</u>	<u>2,579,867</u>	<u>1,854,067</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from Other Funds			1,561	1,561
Transfers out to Other Funds	(3,185,000)	(3,185,000)	(3,186,561)	(1,561)
Total Other Financing Sources and Uses	<u>(3,185,000)</u>	<u>(3,185,000)</u>	<u>(3,185,000)</u>	
Net Changes in Fund Balances	(2,459,200)	(2,459,200)	(605,133)	1,854,067
Fund Balances - Beginning	<u>2,459,200</u>	<u>2,459,200</u>	<u>5,707,806</u>	<u>3,248,606</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,102,673</u>	<u>\$ 5,102,673</u>

CAMPBELL COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2004

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The State Local Finance Officer does not require the Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific annual payments to this fund and these transfers are budgeted in the governmental funds.

The State Local Finance Officer does not require the Jail Canteen Fund to be budgeted because the Fiscal Court does not approve the expenses made from these funds. However, Campbell County has chosen to budget these funds.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Budgetary Basis vs. GAAP

Accounting principles applied for purposes of developing data on budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles. A schedule reconciling the fund balance on a cash basis at June 30, 2004 to the fund balance on a modified accrual basis follows:

**BUDGETARY RECONCILIATION TO
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES – MAJOR FUNDS**

	General Fund	Road Fund	Jail Fund	TANK Fund
Financial statement funds (same as budgetary funds)				
Fund balance				
June 30, 2004				
Budgetary basis	\$ 3,024,197	\$ 42,520	\$ 110,118	\$ 5,102,673
Adjustments				
Accrued revenues	529,607	221,134	109,361	1,643,990
Accrued expenditures	(365,453)	(73,294)	(187,043)	
Due to Jail Inmate Account			(3,423)	
Accrued transfers (net)	(71,245)			
Total Accruals	92,909	147,840	(81,105)	1,643,990
Fund balance				
June 30, 2004				
GAAP Basis	<u>\$ 3,117,106</u>	<u>\$ 190,360</u>	<u>\$ 29,013</u>	<u>\$ 6,746,663</u>

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CAMPBELL COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information

June 30, 2004

CAMPBELL COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information

June 30, 2004

	Special Revenue Funds			
	L.G.E.A. Fund	Senior Citizen Tax Fund	Mental Health Tax Fund	Developer Road Escrow Fund
ASSETS				
Cash and Cash Equivalents	\$ 1,401	\$ 224,972	\$ 488,937	\$ 94,818
Accounts Rec- Taxes		91,663	183,707	
Accounts Rec-Intergov Rev				
Accounts Rec-Charges for Services				
Due From Other Funds				
Total Assets	<u>\$ 1,401</u>	<u>\$ 316,635</u>	<u>\$ 672,644</u>	<u>\$ 94,818</u>
LIABILITIES				
Accounts Payable	\$	\$ 2,069	\$ 68,275	\$
Accrued salaries and payroll taxes		2,027		
Due to Other Funds		7,282		
Total Liabilities		<u>11,378</u>	<u>68,275</u>	
FUND BALANCES				
Unreserved:				
Special Revenue Funds	1,401	305,257	604,369	94,818
Total Liabilities and Fund Balances	<u>\$ 1,401</u>	<u>\$ 316,635</u>	<u>\$ 672,644</u>	<u>\$ 94,818</u>

CAMPBELL COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information
June 30, 2004
(Continued)

Special Revenue Funds		Capital Projects Fund	
Jail Canteen Fund	Campbell Co Health Services Incorporated Human Resource Fund	Capital Projects Fund	Total Non-Major Governmental Funds
\$ 31,827	\$	\$	\$ 841,955
			275,370
		69,333	69,333
3,503			3,503
		78,527	78,527
<u>\$ 35,330</u>	<u>\$ 0</u>	<u>\$ 147,860</u>	<u>\$ 1,268,688</u>
\$ 2,930	\$	\$ 147,860	\$ 221,134
989			3,016
			7,282
<u>3,919</u>	<u></u>	<u>147,860</u>	<u>231,432</u>
31,411			1,037,256
<u>\$ 35,330</u>	<u>\$ 0</u>	<u>\$ 147,860</u>	<u>\$ 1,268,688</u>

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CAMPBELL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS -
Other Supplementary Information

For The Year Ended June 30, 2004

CAMPBELL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS -
Other Supplementary Information
For The Year Ended June 30, 2004

	Special Revenue Funds			
	LGEA Fund	Waterline Grant Fund	Emergency Shelter Grant Fund	Senior Citizen Tax Fund
REVENUES				
Taxes	\$	\$	\$	\$ 342,443
Intergovernmental	6,255	182,910	10,000	40,000
Miscellaneous			1	17,276
Interest	14			2,307
Total Revenues	6,269	182,910	10,001	402,026
EXPENDITURES				
General Government				206,870
Protection to Persons and Property				
Social Services			10,000	71,390
Roads	4,868			
Debt Service				14,610
Capital Projects		182,910		
Administration				10,602
Total Expenditures	4,868	182,910	10,000	303,472
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	1,401		1	98,554
Other Financing Sources (Uses)				
Transfers in from Other Funds				20,680
Transfers out to Other Funds			(1)	(50,465)
Total Other Financing Sources (Uses)			(1)	(29,785)
Net Change in Fund Balances	1,401			68,769
Fund Balances - Beginning Restated				236,488
Fund Balances - Ending	\$ 1,401	\$ 0	\$ 0	\$ 305,257

CAMPBELL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS -
Other Supplementary Information
For The Year Ended June 30, 2004
(Continued)

Special Revenue Funds				Capital Projects Fund	
Mental Health Tax Fund	Jail Canteen Fund	Developer Road Escrow Fund	Campbell Co Health Services Incorporated Human Resource Fund	Capital Projects Fund	Total Governmental Funds
\$ 685,212	\$	\$		\$	\$ 1,027,655
94,139				119,343	452,647
	44,953	60,049	189,268		311,547
7,030	679	911		811	11,752
786,381	45,632	60,960	189,268	120,154	1,803,601
643,254					850,124
	81,312				81,312
			149,372		230,762
					4,868
					14,610
				943,506	1,126,416
	1,669				12,271
643,254	82,981		149,372	943,506	2,320,363
143,127	(37,349)	60,960	39,896	(823,352)	(516,762)
				873,956	894,636
(118,737)			(39,896)	(50,604)	(259,703)
(118,737)			(39,896)	823,352	634,933
24,390	(37,349)	60,960			118,171
579,979	68,760	33,858			919,085
\$ 604,369	\$ 31,411	\$ 94,818	\$ 0	\$ 0	\$ 1,037,256

**CAMPBELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2004

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. Four instances of noncompliance material to the financial statements of Campbell County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Campbell County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Campbell reported in Part C of this schedule.
7. The programs tested as major programs were: Housing Choice Voucher Program and the Section 236 Direct Loan.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Campbell County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Reference Number 2004-1

The Employees Of The Fiscal Court Should Account For Compensatory Time Earned And Used

Compensatory time is not always accounted for correctly – especially at the Manager or Director level. This was a comment in last year's exit conference and report; and as of the report date, it still was an issue. When any employee (excluding elected officials) works above their normal schedule, they should document the additional time on their timesheets. When using the earned time by taking off, they should likewise document this on their timesheets. We noted that the County has issued a new timesheet form that has places for this documentation, but we also noted that it has not been used universally throughout the County. We recommend that everyone use this timesheet.

We also noted that your Administrative Code has still not been updated regarding the correct handling of compensatory time. We recommend that this be completed as soon as possible and that the information be given to all employees. The Payroll Clerk should have on record all employees' compensatory time earned and taken as well as vacation time earned and taken.

County Treasurer Diane Bertke's Response: As of this date (7/22/05) all departments are being instructed to destroy all old timesheets and begin using new timesheets only. Currently working with Administration and Payroll Clerk on educating all employees on proper procedures of reporting compensatory time. Currently working with Administration in updating the County Administrative Code regarding compensatory time.

CAMPBELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2004
(Continued)

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

Reference Number 2004-2

The County Jailer Should Maintain Minimum Records As Prescribed By The State Local Finance Officer Pursuant To KRS 68.210

During the course of the audit, it was noted that the Jailer was not properly preparing and maintaining the following:

- Daily Checkout Sheets
- Receipts Journal
- Disbursements Journal
- Summary and Reconciliation

Although the Jailer did have daily checkout sheets, they did not adequately classify receipts; and they were not posted to a receipts ledger. We recommend that the Jailer maintain these records in the future.

County Jailer Greg Buckler's Response: No response noted.

County Treasurer Diane Bertke's Response: Met with Jailer and Office Manager. Proper procedures have already been implemented.

Reference Number 2004-3

The County Jailer Should Properly Reconcile Bank Account Monthly

Although the software being used did account for the bank activity of the Jail Inmate account, the auditor noted that there was not a bank reconciliation as of June 30, 2004. Furthermore, outstanding checks were not properly posted. The June 30, 2004 outstanding check report included voided checks and checks that actually cleared during the month of June. We recommend that the Jailer properly reconcile the account in the future.

County Jailer Greg Buckler's Response: No response noted.

County Treasurer Diane Bertke's Response: Met with Jailer and Office Manager. Proper procedures have already been implemented.

CAMPBELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2004
(Continued)

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

Reference Number 2004-4

The County Jailer Should Work With The Bank To Recoup Bank Service Charges And To Minimize Service Charges In The Future

During the course of the audit, the auditor noted that approximately \$2,223 was charged to the jail inmate account for bank service charges for fiscal year ended June 30, 2004. The Jailer needs to determine the amount of prior year service charges, if any. As this is simply a fiduciary account (holding account) for inmate funds, there are no "fees" to absorb this cost; and possibly the Fiscal Court would be responsible for making up the shortage due to these service charges. It was also noted that this account is not interest-bearing. We recommend that the Jailer negotiate with the bank to try to recoup the service charges, minimize these charges in the future, and earn interest on these funds.

County Jailer Greg Buckler's Response: No response noted.

County Treasurer Diane Bertke's Response: Jailer has been in contact with Bank and most fees/service charges have been recouped. Those that are not recouped will be reimbursed by the Jail Fund. Going forward banking fees and services will be scrutinized more closely.

PRIOR YEAR FINDINGS FINANCIAL STATEMENT AUDIT

1. The Fiscal Court Should Cancel Healthcare Premiums For Terminated Employees In A Timely Manner.

Corrected in current year.

2. The Fiscal Court Should Account For Compensatory Time Earned And Used.

Repeated in current year.

3. The County Should Utilize Adequate Controls Over Signature Plate.

Corrected in current year.

4. The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits.

Corrected in current year.

5. The County Jailer Should Maintain At A Minimum The Following Records As Prescribed By The State Local Finance Officer Pursuant To KRS 68.210.

Repeated in current year.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

CAMPBELL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2004

CAMPBELL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2004

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
U.S. Department Of Housing And <u>Urban Development</u>		
Direct Program:		
Housing Choice Voucher Program (CFDA #14.871 (Note 1))	KY136VO	\$ 3,343,822
Section 236 Direct Loan (CFDA #14.138 (Note 1))	N/A	519,136
Section 201 Flexible Subsidy Loan (CFDA #14.164) (Note 1)	N/A	151,464
Section 8 Housing Assistance Payments (CFDA #14.872) (Note 1)	N/A	63,843
Passed-Through State Governor's Office for Local Development:		
Emergency Shelter Grants Program (CFDA #14.231)	SO2-DC-0001	10,000
Community Development Block Grants - Senior Center Fitness & Wellness Addition (CFDA #14.228)	KY20021219-2007	76,615
Community Development Block Grants-Campbell County Water Expansion Project (CFDA #14.228)	B-98-DC-21-0001(007)	182,910
Total U.S. Department Of Housing And Urban Development		\$ 4,347,790
<u>U.S. Federal Emergency Management Agency</u>		
Department of Homeland Security:		
Passed Through State Department Of Military Affairs:		
MA-DES Preparedness - Emergency Support (CFDA #97.402)	N/A	\$ 45,049
WMD03 Part II - Direct to County (CFDA #97.402)	N/A	2,058
OEM Vehicle Purchase (CFDA #97.402)	N/A	12,000
Total U.S. Federal Emergency Management Agency		\$ 59,107

CAMPBELL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2004
(Continued)

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department Of The Interior</u>		
Passed-Through State Governor's Office for Local Development: Recreational Trails Program Melbourne Park RTP Project #141-01 (CFDA # 15.916)		\$ 29,330
Total U.S. Department Of The Interior		<u>\$ 29,330</u>
<u>U.S. Department of Justice</u>		
Direct Program:		
Local Law Enforcement Block Grant- (CFDA # 16.592)	LLEB525-03	\$ 8,000
Bulletproof Vest Partnership Program (CFDA #16.607)	N/A	1,165
Public Safety Partnership & Community Policing Grant (CFDA #16.710)	2002-SH-WX-0333	114,658
Supervised Visitation & Safe Havens Exchange (CFDA #16.527)	2002-CW-BX-0010	151,711
Passed-Through State Department of Juvenile Justice:		
Title V - Delinquency Prevention Program - Brighton Center (CFDA #16.548)	2001-JPFX2021	14,133
Title V - Delinquency Prevention Program - Administrative Intern Congressional Earmark (CFDA #16.548)	2003-DR-FX-0104	4,843
Total U.S. Department of Justice		<u>\$ 294,510</u>
Total Cash Expenditures of Federal Awards		<u>\$ 4,730,737</u>

CAMPBELL COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2004

- Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Campbell County, Kentucky and is presented on a GAAP basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.
- Note 2 - The Campbell County Section Eight Existing Housing, Housing Voucher Program, Section 236 Direct Loan, Section 201 Flexible Subsidy Loan, and Section Eight Housing Assistance Payments were audited by other auditors. Compliance testing was performed by those auditors whose reports have been blended within the financial statements of the county.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Steve Pendery, Campbell County Judge/Executive
Members of the Campbell County Fiscal Court

**Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated July 22, 2005. We did not audit the Campbell County Fiscal Court Housing Department Housing Choice Voucher Program, the Campbell County Public Properties Corporation, the Lakeside Terrace Apartments HUD Project No. 083-44-12-236, and the A.J. Jolly Park. These were audited by other auditors whose reports thereon have been furnished to us. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Campbell County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Campbell County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance and other matters that are required to be reported under Government Auditing Standards and that are described in the schedule of findings and questioned costs as items number 2004-1, 2004-2, 2004-3, and 2004-4.

This report is intended solely for the information and use of Campbell County Fiscal Court, management, and the Kentucky Governor's Office for Local Development and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
July 22, 2005

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Steve Pendery, Campbell County Judge/Executive
Members of the Campbell County Fiscal Court

**Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133**

Compliance

We have audited the compliance of Campbell County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. We did not audit the compliance of the Campbell County Housing Choice Voucher Program and the Section 236 Direct Loan. Compliance requirements described in the OMB Circular A-133 Compliance Supplement applicable to the Campbell County Housing Choice Voucher Program and the Section 236 Direct Loan were audited by other auditors. Our opinion presented herein, insofar as it relates to the Campbell County Housing Choice Voucher Program and the Section 236 Direct Loan, is based solely on the report of other auditors. Campbell County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Campbell County's management. Our responsibility is to express an opinion on Campbell County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Campbell County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Campbell County's compliance with those requirements.

In our opinion, based on our report and the reports of other auditors, Campbell County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.



Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

The management of Campbell County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Campbell County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of Campbell County Fiscal Court, management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
July 22, 2005

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**


CAMPBELL COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2004**

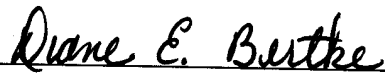
CERTIFICATON OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
CAMPBELL COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2004

The Campbell County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Fund was expended for the purpose intended, as dictated by the applicable Kentucky Revised Statutes.



Name
Judge Executive



Name
County Treasurer